



INDUSTRY CIRCULAR

**DEPARTMENT OF
THE TREASURY**

Bureau of Alcohol, Tobacco and Firearms

Washington, D.C. 20226

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CHANGES IN REGULATIONS PURSUANT TO PUBLIC LAW 94-455

To Distilled Spirits Plant Proprietors,
Wholesale Liquor Dealers, Manufacturers
of Nonbeverage Drawback Products, and
Others Concerned:

Purpose. This circular is issued to inform you of the more significant changes to be set forth in a Treasury decision, soon to be published in the FEDERAL REGISTER, amending several parts of 27 CFR. The changes, which implement the provisions of Public Law 94-455, are effective February 1, 1977.

Background. The Treasury decision implements the provisions of Public Law 94-455 as it amended 26 U.S.C. with respect to (1) losses of Puerto Rican and Virgin Islands spirits; (2) eligibility of imported spirits for nonbeverage drawback; (3) liquor dealer designations in 27 CFR Part 194; (4) mingling of spirits in bond for consolidation; (5) filtration and stabilization of spirits in bond prior to exportation; and (6) withdrawals of spirits from bond under 26 U.S.C. 5174(a)(2).

LOSSES OF PUERTO RICAN AND VIRGIN ISLANDS SPIRITS

Public Law 94-455 extended the provisions of 26 U.S.C. 5008, relating to allowance of losses of spirits, to spirits brought into the United States from Puerto Rico or the Virgin Islands and taxed under 26 U.S.C. 7652. Applicable regulations in 27 CFR Parts 170 and 201 are amended to reflect the eligibility of Puerto Rican and Virgin Islands spirits for loss provisions.

Claims for losses of Puerto Rican and Virgin Islands spirits are to be filed in the same manner as claims for losses of domestic spirits. To ensure proper accounting of operational losses, ATF Form 2611, Statement of Losses at Bottling Premises, will be prepared; and a new ATF Form 2611, Page 3, will be attached as supplemental information to separately identify eligible Puerto Rican rum, other Puerto Rican spirits, and Virgin Islands spirits, from other eligible spirits.

ATF Forms 1577, Destruction of Spirits, 2612, Taxpaid Spirits Returned to Bonded Premises, and 4738, Notice and Gauge of Spirits Returned to Bottling Premises, have been revised to indicate the eligibility of Puerto Rican and Virgin Islands spirits for abatement or refund of tax on applicable losses. In each instance, separate forms shall be prepared for Puerto Rican rum, for other Puerto Rican spirits and for Virgin Islands spirits.

Revised ATF Forms 1577, 2612, 4738, and new ATF Form 2611, page 3, are available from the ATF Distribution Center, 3800 S. Four Mile Run Drive, Arlington, Virginia 22206.

MANUFACTURERS OF NONBEVERAGE DRAWBACK PRODUCTS

Public Law 94-455 amended 26 U.S.C. 5131, with respect to drawback of tax on spirits used in nonbeverage products, to delete the requirement that the spirits be produced in a domestic distillery or withdrawn from the bonded premises of a distilled spirits plant. This amendment will permit manufacturers of nonbeverage products to claim drawback of taxes on imported spirits used in their products. Claims for drawback of tax on products containing imported spirits should be accompanied by appropriate Customs forms (e.g., Customs Forms 7501, Consumption Entry, or 7505, Warehouse Withdrawal for Consumption) to indicate payment of tax. The regulations in 27 CFR Part 197 are amended to reflect these changes.

WHOLESALE LIQUOR DEALERS

Public Law 94-455 eliminated the special tax designation for "wholesale dealers in wine" and "wholesale dealers in wine and beer." Persons engaging in business in these categories will be classified in the primary designation of business (e.g., "wholesale dealers in wine" and "wholesale dealers in wine and beer" will be classified as "wholesale liquor dealers"). The designation changes do not affect the special tax rate. IRS Form 11, Special Tax Return, will be appropriately amended to include these changes.

MINGLING OF SPIRITS IN BOND FOR CONSOLIDATION

Public Law 94-455 amended 26 U.S.C. 5234, with respect to mingling of spirits in bond for consolidation. The amended statute provides that consolidation must be accomplished within 20 years of the date of original entry of spirits, thereby superseding the previous 8-year limitation. Applicable regulations in 27 CFR Part 201 are amended.

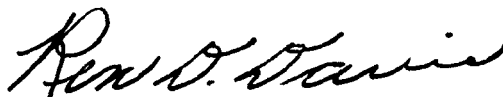
FILTRATION AND STABILIZATION
OF SPIRITS IN BOND PRIOR TO EXPORTATION

Section 26 U.S.C. 5025 was amended to extend the exemption from rectification tax to distilled spirits subjected to filtration or other physical treatments prior to exportation. The change will permit distilled spirits plant proprietors to filter and stabilize spirits destined for exportation in a manner similar to spirits entered for bottling in bond and pursuant to 27 CFR 201.324.

WITHDRAWAL OF SPIRITS FROM
BOND UNDER 26 U.S.C. 5174(a)(2)

Public Law 94-455 amended 26 U.S.C. 5174(a)(2), which provides for the withdrawal of spirits from bond by proprietors authorized to rectify or bottle distilled spirits pursuant to a withdrawal bond. Prior statutory requirements limited withdrawals under section 5174(a)(2) to spirits intended to be rectified or bottled by the authorized proprietor. The statutory amendment extends authorized withdrawal to all spirits including those bottled-in-bond. This will permit proprietors of bottling premises to defer payment of tax on bottled-in-bond spirits for payment on ATF Form 4077, Distilled Spirits Tax Return - Deferred Payment - Bottling Premises, and pursuant to regulations in 27 CFR Part 170, Subpart C. These statutory changes, however, require a minor regulatory change. Proprietors desiring to withdraw bottled-in-bond spirits pursuant to section 5174(a)(2) should prepare ATF Form 179, Withdrawal of Spirits Tax Determined, in the same manner as for other spirits withdrawn from bond.

Inquiries. Inquiries concerning this circular should refer to its number and be addressed to the Assistant Director (Regulatory Enforcement), Bureau of Alcohol, Tobacco and Firearms, 1200 Pennsylvania Avenue, N.W., Washington, DC 20226.


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Director